

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO. 2310-01  
BILL NO. HB 1626  
SUBJECT: Veterans; Department of Economic Development  
TYPE: Original  
DATE: February 23, 2000

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue*	(\$1,384,462)	(\$1,431,148)	(\$1,390,437) to (\$3,390,437)
Veterans' Comm. Capital Improvement Trust Fund*	(unknown)	(unknown)	(unknown)
Missouri Veterans Business Council*	unknown	unknown	unknown
<b>Total Estimated Net Effect on <u>All</u> State Funds*</b>	<b>(\$1,384,462)</b>	<b>(\$1,431,148)</b>	<b>(\$1,390,437) to (\$3,390,437)</b>

\* Subject to Appropriation

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses

This fiscal note contains 6 pages.

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Economic Development (DED)** assume the proposed legislation would create the Missouri Veterans Business Council with the DED and authorizes \$2 million in tax credits. The DED is to conduct an outreach program for veterans wanting to start a new or expand an existing business, make grants and loans, and administer the tax credit program. The DED assumes the \$2 million in tax credits are authorized beginning in January, 2002, and, therefore, would be claimed beginning in FY 2003.

The DED states there are 563,000 veterans in Missouri according to the Missouri Veterans Commission. The DED assumes that approximately half of those are of an age to start or operate a business. The DED assumes the Office of Veterans Business will be established within the DED. This office will have similar certification authority to the OA/Minority Procurement Office, however, this office will have more responsibility. The DED estimates it will need 10 FTE to coordinate the activities created by this proposal. The DED assumes it will provide technical assistance to veteran businesses, and will be responsible for financial and incentive packages.

The DED assumes that no promotion could begin without appropriation. The bill would go into effect in August of 2000 (FY 2001) and DED assumes the loans and grants could be made immediately upon funding of the program. Tax credit donations would not be in the Missouri Veterans Business Council Fund, but funds could be placed there from the Missouri Veterans Commission Capital Improvement Trust Fund.

The DED assumes the need for one (1) Market Development Program Coordinator, one (1) Clerk Typist II, one (1) Planner II, one (3) Economic Development Program Specialists II, one (1) Accountant I, one (1) Public Information Specialist I, and one (2) National Marketing Specialists II.

The DED also assumes there will be expenses associated with board meetings for the newly created Missouri Veterans' Business Council. There will be 15 board members and the DED assumes a minimum of 4 meetings per year. The annual expenses related to board meetings is estimated by the DED to be \$14,620.

The DED also assumes an appropriation of \$1,000,000 from the General Revenue Fund will be required to implement both the Microloan program and the revolving loan fund in each of the first three fiscal years.

**Oversight** assumes the DED could administer this program with an addition of two staff per specified office in Springfield, Kansas City, and St. Louis. Oversight also assumes the DED could contract out the necessary marketing services at a cost of \$25,000 in the first year instead of retaining staff dedicated to that purpose.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** assume the proposed legislation would require the printing of additional pages in the *Missouri Register* and the *Code of State Regulations* and have estimated a publishing cost of \$1,928 for FY 01. Additionally, future costs are unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.

While this bill alone would not require SOS to acquire additional staff, SOS assumes the cumulative effect of other bills that require rulemaking may, in the aggregate, necessitate additional staff.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Office of the State Treasurer** assume the proposed legislation would have no fiscal impact on their agency.

In response to a similar proposal from this year, the **Department of Public Safety, Missouri Veterans' Commission**, the **Office of Administration**, and the **Missouri Gaming Commission** stated the proposed legislation would not fiscally impact their respective agencies.

Officials from the **Department of Revenue (DOR)** state that the number of taxpayers eligible for this credit is unknown at this time. The Division of Taxation, Personal Tax Bureau will need one Tax Processing Technician I for every 2,000 new credits claimed per year (processing) and one Tax Season Temporary for every 130,000 credits claimed per year (key entry). Also, one Tax Processing Technician I will be needed for six months for every 30,000 additional individual income tax errors generated from this legislation and one Tax Processing Tech I for every 3,000 pieces of correspondence generated from this legislation. The Business Tax Bureau will need one Tax Processing Tech I for every 3,680 credit claims received on corporate tax.

The DOR assumes this legislation will require modifications to the income and corporate tax systems and credit application system. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of contract labor, at a cost of \$41,617. Modifications to the income tax return and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs and \$451 will be needed for on-going costs.

ASSUMPTION (continued)

**Oversight** assumes the DOR will make necessary programming changes in FY 2001 and that additional personnel will not be required to process the potential \$2,000,000 of tax credit vouchers in FY 2003.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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**GENERAL REVENUE FUND**

<u>Loss</u> - Income tax credits for contributions to microloan program and revolving loan fund	\$0	\$0	\$0 to (\$2,000,000)
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<u>Costs</u> - Department of Economic Development			
Personal Service (6 FTE)	(\$186,900)	(\$229,885)	(\$235,632)
Fringe Benefits	(\$57,472)	(\$70,690)	(\$72,456)
Expense and Equipment	<u>(\$140,090)</u>	<u>(\$79,949)</u>	<u>(\$82,349)</u>
Total <u>Costs</u> - DED	(\$384,462)	(\$380,524)	(\$390,437)

<u>Costs</u> - Department of Revenue			
Programming charges	\$0	(\$50,624)	\$0

<u>Loss</u> - Appropriation to fund the Seed Capital Funds and the Microloan Program Funds	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)
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**--SUBJECT TO APPROPRIATION--**

<b>ESTIMATED NET EFFECT TO GENERAL REVENUE FUND</b>	<b>(\$1,384,462)</b>	<b>(\$1,431,148)</b>	<b>(\$1,390,437) to (\$3,390,437)</b>
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**VETERANS' COMMISSION CAPITAL IMPROVEMENT TRUST FUND**

<u>Loss</u> - Transfer to the Missouri Veterans' Business Council Fund	(unknown)	(unknown)	(unknown)
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**--SUBJECT TO APPROPRIATION--**

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2001 (10 Mo.)	FY 2002	FY 2003
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**MISSOURI VETERANS BUSINESS  
COUNCIL FUND**

<u>Income</u> - Transfer from the Veterans Capital Improvement Trust Fund	unknown	unknown	unknown
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**—SUBJECT TO APPROPRIATION—**

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

This proposal would be expected to have a direct fiscal impact on small businesses.

DESCRIPTION

This proposal establishes the Missouri Veterans' Business Council within the Department of Economic Development (DED). The council is comprised of 15 members, appointed by the Governor with the advice and consent of the Senate, representing veteran business owners, disabled veteran business owners, and the veteran service community. The Lieutenant Governor and Director of DED serve as ex officio members of the council. The council's duties include identifying veteran-owned and disabled veteran-owned businesses; reviewing state policies and programs for their impact on these businesses; monitoring state and local legislative proposals; providing public information; providing seed capital for start-up veteran-owned businesses; establishing a microloan program and revolving loan fund for entrepreneurial support programs; and administering the newly created Missouri Veterans' Business Council Fund. This fund may receive appropriations made by the state and moneys from transfers authorized by the Missouri Veterans' Commission from its Capital Improvement Trust Fund. Beginning January 1, 2002, taxpayers contributing money or property to any microloan program or revolving loan fund established by the Missouri Veterans' Business Council may receive a 50% credit against income taxes, corporate franchise taxes, or taxes on financial institutions. Credits exceeding the tax liability may be carried back 3 years or carried forward 5 years, and may be assigned, transferred, or sold. The total amount of tax credits may not exceed \$2 million each year.

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This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

This proposal would affect Total State Revenues.

#### SOURCES OF INFORMATION

Department of Economic Development  
Department of Revenue  
Office of the Secretary of State  
State Treasurer's Office  
Office of Administration  
    Budget and Planning  
Missouri Veterans' Commission

A handwritten signature in black ink, appearing to read "Jeanne Jarrett".

Jeanne Jarrett, CPA  
Director  
February 23, 2000